

15473

Lease # \_\_\_\_\_

LEASE AGREEMENT

THIS LEASE AGREEMENT, dated \_\_\_\_\_, 2006 (for reference purposes only), is made by and between NORTHGATE MALL PARTNERSHIP, a Delaware general partnership (hereinafter called Lessor) and King County, a political subdivision of the State of Washington (hereinafter called Lessee):

WITNESSETH:

1. Premises: Lessor does hereby agree to lease to Lessee, upon the following terms and conditions, 280 parking stalls as described herein and depicted on the attached site plan dated March 9, 2006, attached as Exhibit A and incorporated herein by reference, hereinafter called the ' ' Premises' ', located on the top two floors of a new parking garage to be constructed by Lessor, hereinafter called the ' ' Garage' ', which is located on a portion of real property in Seattle, Washington, which real property is also depicted in Exhibit A and incorporated herein by reference.

2. Term: The term of this lease shall be for Twenty (20) years, commencing on the 1st day of the month following delivery of possession of the entire Premises ("Commencement Date"), provided, in no event shall delivery occur later than June 1, 2007, subject to force majeure and timely processing and issuance of permits by the City of Seattle. Lessee shall have the right to extend the lease for two (2) additional ten year periods. Lessee must deliver written notice to Lessor of its election to exercise its extension right within 120 days of the termination of the initial lease term or the extended lease term.

3. Preparation of Premises and Delivery of Possession: Prior to the commencement of the term hereof, Lessor shall arrange for construction of the Garage pursuant to the construction plans set forth in Exhibit B attached hereto or as otherwise agreed to by the parties in writing. The Premises shall be deemed completed and Premises delivered on the date these improvements are completed in accordance with Exhibit B and open for public use.

4. Initial Payment and Rent:

4.1. Lessee covenants and agrees to pay Lessor, at Lessor's address, without deduction or offset, in the first year of the lease term the following:

a. The first installment of an initial payment in the amount of One Million, Two Hundred Twenty Seven Thousand Five Hundred Dollars (\$1,227,500) within 30 days of receiving notice from Lessor of completion of 50% of construction activity;

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b. The remainder of an initial payment in the amount of **One Million, Two Hundred Twenty Seven Thousand Five Hundred Dollars (\$1,227,500)** within 30 days of delivery of possession; and

c. Rent for the first year of the lease term in the amount of \$100,000 within 30 days of delivery of possession.

4.2. For each year thereafter, payable in advance, without prior notice or demand, on the anniversary of the Commencement Date, the rent shall be as follows:

Year two through Year five - \$100,000.

Year six through Year ten - \$110,000

Year eleven through Year fifteen - \$120,000

Year sixteen through Year twenty - \$130,000

Year twenty-one through Year twenty-five - \$140,000

Year twenty-six through Year thirty - \$150,000

Year thirty-one through Year thirty-five- \$160,000

Year thirty-six through Year forty - \$170,000

4.3. In addition, Lessee shall pay Lessor as Additional Rent Twenty Five Percent (25%) of the property tax paid by Lessor based on the assessed value of the Garage. Lessor shall invoice the Lessee at least thirty (30) days prior to the anniversary date of the lease term for the Lessee's portion of the property tax paid by Lessor over the previous twelve (12) months. Payment is conditioned on Lessor providing supporting documentation for the amount invoiced if requested by Lessee. Payment of the property tax invoice from Lessor shall be due along with the rent payment; provided that if Lessee requests supporting documentation, payment is not due until documentation acceptable to Lessee is provided and the amount due is only the amount justified by such documentation as mutually determined by the parties.

5 **Use of Premises by Lessee:** The Lessee shall have exclusive use of the Premises for transit passenger parking between 5:00 a.m. and 9:00 a.m. on weekdays (excluding federal holidays, the day after Christmas, and the Friday after Thanksgiving). The Lessee will have shared use of the Premises after 9:00 a.m. on weekdays. The Garage will be closed from 12:00 a.m. (midnight) until 5 a.m. and no overnight parking will be allowed. Lessee shall possess all rights necessary for transit passengers to access and use the Premises, including the rights of ingress and egress and rights to use stairs and elevators. The Garage shall include at a minimum a stairwell in the southwest corner of the Garage and a stairway to 103rd Street at Second Avenue.

The Garage also shall include a wheelchair accessible elevator near the sky-bridge on the north side of the Garage.

6. **Utilities:** The Lessor shall provide for, at its sole expense, all required utilities.

7. **Maintenance, repairs, security and enforcement:** Lessor shall be solely responsible for the maintenance, repair, operation and security of the Premises and the Garage in which they are contained. The Garage and the Premises shall be maintained by Lessor as a safe, secure, well-maintained and functional "first-class" retail parking facility. The Lessor shall also be responsible for ensuring that the Premises is used only by Lessee and its customers between the hours of 5 a.m. and 9 a.m. and to taking any enforcement measures necessary to ensure such exclusive use. The Lessee shall pay a set annual fee to Lessor for operation and maintenance of the Premises. This fee shall be \$44,780 per year, due on the first anniversary of the Commencement Date, and each anniversary date thereafter, for all inclusive operating and maintenance costs and shall be increased annually by CPI (same as \$240/stall/year times 25% of garage capacity, 186.25stalls) and shall also constitute Additional Rent herein.

The CPI referred to herein shall be the Consumer Price Index for Seattle-Tacoma-Bremerton for All Urban Consumers (1982-84=100) published by the United States Department of Labor's Bureau of Labor Statistics ("CPI") for which the first full calendar month of the lease term shall be the "Base Index". The CPI for each year referred to in this section shall be the "Adjustment Index" to compute maintenance fee adjustments to commence with each said year. If the applicable Adjustment Index has increased over the Base Index, then the maintenance fee payable under this Lease for that year shall be the maintenance fee set forth in this paragraph multiplied by a fraction, the numerator of which is the appropriate Adjustment Index and denominator of which is the Base Index. If, during the Lease Term, the maintenance fee payable under this paragraph is changed by an amendment to this Lease, said maintenance fee payable pursuant to the latest Lease amendment shall be the maintenance fee which is adjusted by the formula set forth in this paragraph. If any index is calculated from a base different from the base period 1982-84=100, such index shall be converted to a base period of 1982-84=100 by use of a conversion factor supplied by said Bureau of Labor Statistics. If the CPI is discontinued or replaced during the term of this Lease, such other governmental Cost of Living Index or computation which replaces the CPI, as agreed upon by the Lessor and Lessee, shall be used in order to obtain substantially the same result as would be obtained if the CPI had not been discontinued or replaced,

8. **Signs:** Lessor shall install and maintain interior and exterior signs provided by Lessee, subject to mutual agreement of the parties, to designate the spaces available for use by Lessee's patrons and provide direction thereto. Prior to delivery of the Premises, Lessee shall install those signs Lessee provides with sufficient lead time to allow for timely installation.

9. **Indemnity and Hold Harmless:** Lessor and Lessee mutually agree that in any and all causes of action and/or claims, or third party claims, arising under the terms, activities, use and /or operations of this Lease, including the Premises, a party shall be responsible to the other only to the extent of its comparative fault in causing alleged damages or injuries. Each party agrees to indemnify the other to the extent of the indemnitor's and indemnitee's proportional share.

As to any and all causes of actions and/or claims, or third-party claims, arising under the sole fault of a party to this Lease, said party shall have a duty to defend, save, and hold the other party harmless, and upon failure to do so, said party shall pay reasonable attorney's fees, costs and expenses incurred by the other party to this Lease in defense of said claims and/or actions.

10. **Insurance:** Lessor shall maintain Property and General Liability insurance in amounts acceptable to Lessee and shall include Lessee as a named insured on these policies. Lessor shall provide Lessee with certificates of insurance and endorsement in a form acceptable to Lessee if requested by Lessee.

11. **Termination:** This Section 11 is in addition to any other provision of this Lease authorizing or otherwise relating to early termination of said Lease.

11.1. **Termination of Convenience by Lessee.** Lessee may terminate the lease for its convenience at anytime after the fifth (5<sup>th</sup>) lease year of the term of this lease by providing six (6) months' advance notice.

11.2. **Termination of Convenience by Lessor.** Lessor shall have the right to terminate the lease, which termination shall be effective at any time after year 20, by providing at least two years' notice prior to the termination date.

11.3. **Completion of Construction.** If Lessor fails to deliver possession of the entire Premises to Lessee on or before June 1, 2007, subject to force majeure, as defined in Section 27 below and timely processing and issuance of permits by the City of Seattle, then Lessee shall have the right to elect either to enforce the lease through a judicial action for damages and injunctive relief or to terminate this Lease for non-delivery of the Premises. If Lessee exercises this right to terminate, Lessor shall return to Lessee in its entirety the first installment paid pursuant to Section 4.1(a) herein.

11.4. **Damage or Destruction.** In the event that the Premises or any portion thereof are substantially damaged or destroyed so as to hinder effective use of the Premises for Lessee's authorized use, as defined herein and Lessor does not provide replacement stalls, Lessee may elect to terminate this Lease, upon thirty (30) days' written notice to Lessor. If Lessee exercises this right to terminate, Lessor shall reimburse Lessee \$2,455,000 depreciated on a straight-line basis over twenty (20) years starting from the Commencement Date.

11.5. **Breach.**

- a. Lessor may terminate this Lease upon ten (10) days' prior written notice to Lessee if Lessee fails to pay rent, including all Additional Rent, of this Lease by the tenth (10th) day after it is due.
- b. Lessor or Lessee may terminate this Lease if the other party breaches or fails to perform or observe any of the terms and/or conditions of this Lease, other than payment of rent, and fails to cure such breach or default within thirty (30) days after written notice from the non-

breaching party or such longer period, up to sixty (60) days, as may be reasonably required, to diligently complete a cure commenced within that thirty (30) day period and being diligently and continuously pursued by the breaching party.

- c. Excluding the election of remedies set forth in Section 11.3 above, the remedies for breach set forth in 11.5.a. and 11.5.b. above are not exclusive, and Lessor or Lessee may pursue all rights they may have at law or in equity in addition to and notwithstanding such provisions.

11.6. **Termination Process.** Unless otherwise specified in this Lease, prior written notice of termination shall be delivered by certified mail, return receipt requested, and shall be effective upon receipt of such notice, as evidenced by the return receipt. Upon such termination, Lessee shall be entitled to the reimbursement of any rent prepaid by Lessee for any period after termination, except that initial payments, other than rent or Additional Rent, due for the first year of the Lease shall not be reimbursed or refunded in whole or in part except pursuant to Sections 11.3 and 11.4.

12. **Subletting and Assignment:** Lessee shall not sublet the whole or any part of the Premises, nor assign this lease or any interest thereof, without the prior written consent of the Lessor, which consent may be granted or withheld in Lessor's sole and absolute discretion.

13. **Prevailing Wage:** All contractors and subcontractors employed on construction of the Garage shall pay the prevailing rate of wages as defined in Chapter 39.12 of the Revised Code of Washington.

14. **Liens:** Lessor and Lessee shall keep the Premises and the Garage free from any liens arising out of any work performed, materials furnished, or obligations incurred by Lessee or Lessor.

15. **Hazardous Substances:**

15.1 Lessor and Lessee mutually agree that no generation, use, release, handling, transportation, treatment or storage of hazardous substances (Hazardous Substances) exist on the Premises, except as may be contained in solvents, paints, cleaners and other chemical agents, compounds or products used in the normal course of construction, maintenance, repair and operation of the Garage and the immediate environs ("Normal Use Substances"). Except for Normal Use Substances, Lessor acknowledges and fully discloses that the Premises contain no Hazardous Substances as defined by applicable law. Upon the execution of this lease, if Lessor or Lessee subsequently discovers the existence of Hazardous Substances on the Premises, Lessor and Lessee shall disclose to each other this material fact and act within full compliance of all applicable laws, regulations and safety practices governing Hazardous Substances. Lessor and Lessee further mutually agree that in any and all causes of action and/or claims, or third-party claims, arising under the terms, activities, use and/or operations of this lease, each party shall be responsible, to the extent of each other's comparative fault in causing the alleged damages or injuries. Notwithstanding Section 9 (above), each party agrees to indemnify, defend and hold harmless Lessor or Lessee, its appointed and elected officials, employees, from and against any and all claims, liabilities, damages, and expenses, including reasonable attorney's fees, asserted against Lessor or Lessee by a third party, including without limitation, any agency or instrumentality of the federal government, state or local

government, for bodily injury, including death of a person, physical damage to or loss of use of property, or clean-up activities (including but not limited to investigation, study, response, remedial action, or removal), fines or penalties arising out of or relating to the presence, release, or threat of release of a Hazardous Substance existing or emanating from the Premises, except that Lessee's obligation to indemnify shall not extend to Hazardous Substances or the release of same which existed or emanated from the Premises prior to Lessee's possession of the Premises. Lessor's and Lessee's obligations under this paragraph shall survive the expiration or other termination of this lease.

15.2 **Definition of Hazardous Substances:** "Hazardous Substances" as defined in this lease shall mean:

- a. Any toxic substances or waste, sewage, petroleum products, radioactive substances, medicinal, bacteriological, or disease-producing substances; or
- b. Any dangerous waste, hazardous waste, or hazardous substance as defined in:
  - i. Comprehensive Environmental Response, Compensation and Liability Act of 1980, as now or hereinafter amended (42 U.S.C. 9610 et seq.);
  - ii. Resource Conservation and Recovery Act, as now or hereinafter amended (42 U.S.C. 6901 et seq.);
  - iii. Washington Model Toxics Control Act, as now or hereinafter amended (R.C.W. Chs. 70.105, 70.105A and 70.105D); or
- c. Any pollutant, contaminants, substances, as defined above, posing a danger or threat to public health or welfare, or to the environment, which are regulated or controlled by any federal, state and local laws, and regulation, as now or hereinafter amended.

16. **Waiver of Subrogation:** Lessor and Lessee agree that they shall not make a claim against or seek recovery from the other for any loss or damage to their property, or the property of others, resulting from fire or other hazards covered by fire and extended coverage insurance and each hereby releases the other from any such claim or liability regardless of the cause of such loss or damage so covered by insurance. In the event of any increased cost or impairment of ability to obtain such insurance, the party suffering such increased cost or impairment may terminate such waiver and release upon written notice to the other party hereto. Such waiver is conditioned upon the parties having had their respective insurance companies issue a policy or endorsement providing that the waiver or release of subrogation rights shall not adversely affect or impair such policies or recovery by the insured thereunder.

17. **Holding-Over:** If, with Lessor's written consent, which consent may be granted or withheld in Lessor's sole and absolute discretion, Lessee holds possession of the Premises after the term of this lease or any extension thereof, Lessee shall become a tenant from year-to-year upon the terms herein specified, but at a yearly rent equivalent to 125% of the then prevailing rent payable by Lessee at the expiration of the term of this lease or any extension thereof and subject, without limitation, to the continued application of all of the provisions of Sections 4 and 5 herein, payable in advance on the anniversary of the Commencement Date.

18. **Surrender of Premises:** At the end of the term of this lease or any extension thereof or other sooner termination of this lease, Lessee will peaceably deliver up to Lessor possession of the Premises.

19. **Costs and Attorney's Fees:** If, by reason of any default or breach on the part of either party in the performance of any of the provisions of this lease, a legal action is instituted, the losing party agrees to pay all reasonable costs and attorney's fees in connection therewith. It is agreed that the venue of any legal action brought under the terms of this lease will be in the county in which the Premises are situated.

20. **Subordination:** If a lender requires that this lease be subordinated to any encumbrance now of record or any encumbrance recorded after the date of this lease, this lease shall be subordinated to that encumbrance, if Lessor first obtains from the lender a written agreement that provides substantially the following:

20.1 As long as Lessee is not in default under this lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the encumbrance, and no steps or procedures taken under the encumbrance, shall affect Lessee's rights under this lease.

20.2 The provisions in this lease concerning the disposition of insurance proceeds on destruction of the Premises, and the provisions in this lease concerning the disposition of any condemnation award shall prevail over any conflicting provisions in the encumbrance.

20.3 Lessee shall attorn to any purchaser at any foreclosure sale, or to any grantee or transferee designated in any deed given in lieu of foreclosure.

20.4 Lessee shall execute the written agreement and any other documents required by the lender to accomplish the purposes of this paragraph.

21. **Successors and Assigns:** All of the agreements, conditions and provisions of this lease shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of Lessor and Lessee.

22. **Anti-Discrimination:** In all services or activities, and all hiring or employment made possible by or resulting from this lease, there shall be no discrimination against any employee or applicant for employment because of sex, age (except minimum age and retirement provisions), race, color, creed, national origin, marital status, sexual orientation, or the presence of any sensory, mental, or physical handicap, unless based upon a bona fide occupational qualification. This requirement shall apply to but not be limited to the following: employment, advertising, lay-off or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Lessor shall not violate any of the terms of R.C.W. 49.60, Title VII of the Civil Rights Act of 1964 or King County Code 12.16.020. Any proven violation of this provision shall be considered a violation of a material provision of this lease and shall be grounds for cancellation, termination, or suspension, in whole or in part, of the lease and may result in ineligibility for further agreements. The Lessor will also comply with other anti-discrimination laws or requirements of any and all jurisdictions having authority.

23. **Rules and Regulations:** Lessee shall faithfully observe and comply with the rules and regulations which shall apply to and be for the mutual benefit of all users of the Garage in which the Premises are located, and all reasonable modifications of and additions thereto from time-to-time put in effect by Lessor.

24. **Quiet Enjoyment:** Lessor covenants and agrees that Lessee, upon performance of all Lessee's obligations under this lease, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this lease without disturbance by Lessor or by any person having title paramount to Lessor's title or by any person claiming under Lessor, subject to the other terms and provision of this lease and subject to all mortgages, underlying leases and other underlying matters of record to which this lease is or may become subject to and subordinate. Lessor shall not be responsible for interruption of utilities or other adverse effects on Lessee's quiet enjoyment which arise through no fault of Lessor.

25. **Notices:** All notices by either party to the other shall be in writing and may be delivered personally or by certified or registered mail to the following addresses:

To Lessee: King County Real Estate Services Section  
500 Fourth Avenue, Suite 500  
Seattle, WA 98104-3279

To Lessor: Northgate Mall Partnership  
c/o Simon Property Group  
115 West Washington Street  
Indianapolis, Indiana 46204  
Attn: Arthur W. Spellmeyer, III

with a copy to: Northgate Mall Partnership  
c/o Simon Property Group  
115 West Washington Street  
Indianapolis, Indiana 46204  
Attn: General Counsel

or at such other address as either party may designate to the other in writing from time-to-time.

26. **Time:** Time is of the essence of this lease and of each and all of the agreements, conditions, and provisions herein.

27. **Force Majeure:** Notwithstanding anything contained herein to the contrary, Lessor shall not be deemed in default hereunder nor liable for damages arising from its failure to perform any duty or obligation hereunder if such delay is due to causes beyond the party's reasonable control, including, but not limited to, acts of God, acts of civil or military authorities (including failure of civil authorities to timely process permits or provide utilities), fires, floods, windstorms, earthquakes, strikes or labor disturbances, civil commotion, delays in transportation, governmental delays or war. In such event, the date for performance shall be delayed one day for each day of delay caused by such event. Subject to the foregoing, time is of the essence of this lease and of each and all the agreements, conditions and provisions herein.



28. **Entire Agreement:** This lease contains all covenants and agreements between Lessor and Lessee relating in any manner to the leasing, occupancy and use of the Premises and Lessee's use of the Garage and other matters set forth in this lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this lease shall not be altered, modified or added to except in writing signed by Lessor and Lessee.

29. **Interpretation - State Law:** The titles to paragraphs of this lease are for convenience only and shall have no effect upon the construction or interpretation of any part hereof. This lease shall be governed by the laws of the State of Washington.

30. **Severability:** The unenforceability, invalidity, or illegality of any provision of this lease shall not render the other provisions unenforceable, invalid or void.

31. **Addenda:** Any addendum consistent with the terms of this lease, attached hereto and either signed or initialed by the Lessor and Lessee shall be deemed a part hereof.

32. **Counterparts:** This lease may be executed in several counterparts, each of which shall be deemed an original instrument and all of which together shall constitute a single agreement.

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IN WITNESS WHEREOF, the Lessor and Lessee have executed this lease on the dates specified below.

LESSOR:

LESSEE:

NORTHGATE MALL PARTNERSHIP, a  
Delaware general partnership

King County, Washington

By: SIMON PROPERTY GROUP, L.P., a  
Delaware limited partnership, General  
Partner

By: \_\_\_\_\_

By: SIMON PROPERTY GROUP,  
INC., a Delaware corporation,  
General Partner

Harold Taniguchi, Director  
Department of Transportation

Date: \_\_\_\_\_

By: \_\_\_\_\_

David Simon  
Chief Executive Officer

Date: \_\_\_\_\_

APPROVED AS TO FORM ONLY:

By: \_\_\_\_\_

Senior Deputy Prosecuting Attorney

Date: \_\_\_\_\_

KING COUNTY (Dept. Name)

By: \_\_\_\_\_

Date: \_\_\_\_\_

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STATE OF WASHINGTON )  
 ) ss  
COUNTY OF KING )

I certify that \_\_\_\_\_ signed this instrument, on oath stated that he was authorized by the King County Executive to execute the instrument, and acknowledged it as the \_\_\_\_\_ of King County, Washington to be the free and voluntary act of said County for the uses and purposes mentioned in the instrument.

Date:

\_\_\_\_\_  
NOTARY PUBLIC in and for the State of Washington  
residing at \_\_\_\_\_. My appointment expires  
\_\_\_\_\_.

STATE OF INDIANA )  
 ) ss  
COUNTY OF MARION )

On this day personally appeared before me David Simon, to me known to be the Chief Executive Officer of SIMON PROPERTY GROUP, INC., a Delaware corporation, General Partner of SIMON PROPERTY GROUP, L.P., a Delaware limited partnership, General Partner of NORTHGATE MALL PARTNERSHIP, a Delaware general partnership, being the Corporation that executed the foregoing instrument in such capacity, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and that he was authorized to execute the said instrument.

GIVEN under my hand and official seal this \_\_\_\_\_, day of \_\_\_\_\_, 20 \_\_\_\_.

\_\_\_\_\_  
NOTARY PUBLIC in and for the State of Indiana

**PROJECT DATA**

NOBOSTROM	122,187
JCPENNEY	173,251
MACYS	24,400
GOTTSCHEALS	78,318
VACANT	12,908
STAIR DEPARTMENT	721,826
TOTAL SMALL SHOPS G.L.A.	238,646
TOTAL G.L.A.	978,853
OFFICE BUILDING	65,178
TOTAL SITE G.L.A.	1,328,782
TOTAL AMOUNT OF PARKING: 8123	
PARKING RATIO: 4.17	

**PROPOSED**

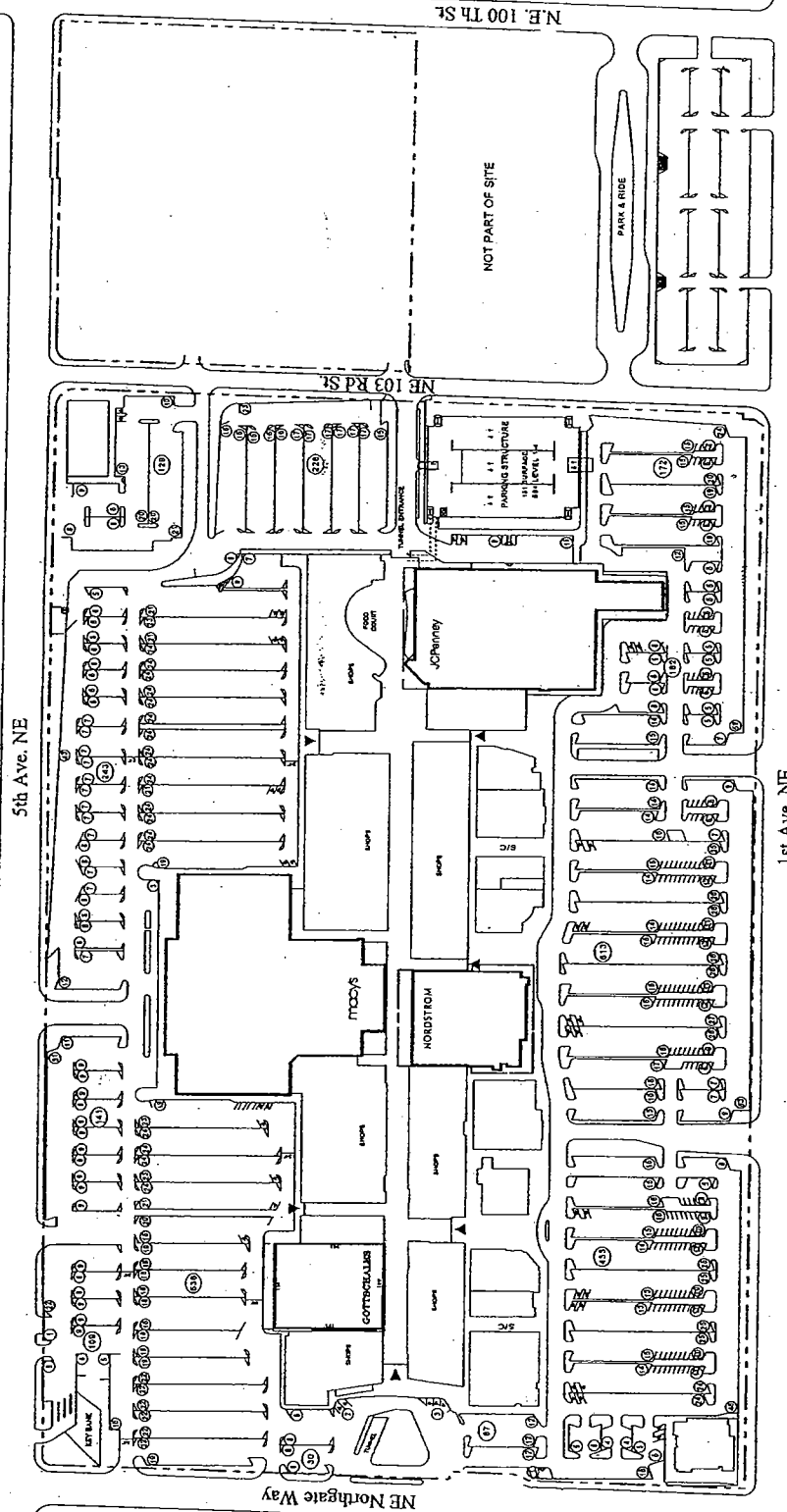
Game Anchor Shops	(12,908)
VACANT THEATRE	(12,908)
OFFICE BUILDING	(65,178)
TOTAL ANCHOR DEMO	(88,079)
TOTAL PROPOSED DEMO	(88,079)

**New/Future Contributions**

New Small Shop Contribution	100,303
NEW SMALL SHOPS	100,303
TOTAL PROPOSED EXPANSION	100,303

**OTHER**

PROPOSED OUTLOT	18,200
TOTAL PROPOSED OUTLOT	18,200
TOTAL PROPOSED SITE G.L.A.	119,003
CHANGE IN TOTAL G.L.A. OVER EXISTING G.L.A.	93,824
TOTAL G.L.A. AFTER EXPAN.	4,079,708
TOTAL AMOUNT OF PARKING: 4108	
PARKING RATIO: 3.81	



King County Exhibit "A"  
Exhibit Plan  
0 100 200 EX.11

Northgate Shopping Center  
401 NE Northgate Way  
Seattle, WA 98125  
CORP # 8250

**SIMON**

**15473**

Modified: March 5, 2005